

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY-AMERICAN)	
WATER COMPANY FOR AN ORDER)	
AUTHORIZING THE ISSUANCE AND SALE)	
OF ITS GENERAL MORTGAGE BONDS,)	
8.36% SERIES, DUE DECEMBER 1, 2001)	
IN THE PRINCIPAL AMOUNT OF)	CASE NO. 91-401
\$13,000,000, AND FURTHER AUTHORIZ-)	
ING THE ISSUANCE AND SALE OF)	
45,000 SHARES OF ITS \$100 PAR VALUE)	
PREFERENCE STOCK, 8.47% SERIES, DUE)	
DECEMBER 1, 2036 FOR AN AGGREGATE)	
CONSIDERATION OF \$4,500,000)	

O R D E R

On October 31, 1991, Kentucky-American Water Company ("Kentucky-American) filed its application seeking authority to issue and sell \$13,000,000 of its general mortgage bonds at 8.36 percent interest and 45,000 shares of its \$100 par value preference stock, 8.47 percent series, due December 1, 2036, for an aggregate consideration of \$4,500,000. The proceeds will be used to repay short-term bank debt at the date of closing, which debt was in the amount of \$6,700,001 as of August 31, 1991 and was incurred to fund construction; to fund 1991 sinking fund obligations in the amount of \$120,000; to redeem 5,000 shares of its preference stock, 10 percent series, on January 1, 1992, in the principal amount of \$500,000; to pay the cost of issuance estimated to be \$140,000; and to assist in funding ongoing construction projects as reflected in Appendix A.

The proposed bonds are to be sold to Nationwide Life Insurance Company and the proposed shares of stock are to be sold to First Colony Life Insurance Company. Prior to issuing the proposed stock, Kentucky-American will have to amend its current Articles of Incorporation to authorize the issuance of this new series.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the proposed issuance and sale by Kentucky-American of \$13,000,000 of its general mortgage bonds at 8.36 percent interest and 45,000 shares of its preference stock for a consideration of \$4,500,000 are for lawful objects within its corporate purposes, are necessary and appropriate for and consistent with the proper performance of its service to the public, and will not impair its ability to perform that service, and are reasonably necessary and appropriate for such purposes and should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. Kentucky-American be and it hereby is authorized to issue and sell \$13,000,000 of its general mortgage bonds at 8.36 percent interest and 45,000 shares of its preference stock for a consideration of \$4,500,000.

2. Kentucky-American shall, within 30 days after the issuance of the securities referred to herein, file with the Commission its amended Articles of Incorporation along with a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate, the purchasers, and all fees and expenses, including underwriting

discounts or commission or other compensation, involved in the issuance and distribution.


3. Kentucky-American shall agree only to such terms and prices that are consistent with said parameters as set out in its application.

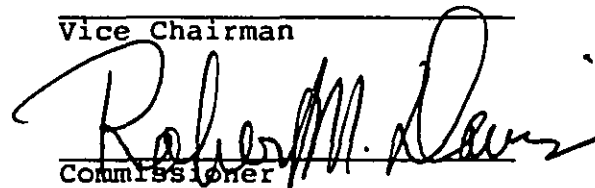
4. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 20th day of December, 1991.

PUBLIC SERVICE COMMISSION


Chairman

Vice Chairman

Commissioner

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 91-401 DATED DECEMBER 20, 1991

SCHEDULE OF THE INTENDED USE AND APPLICATION OF THE PROCEEDS OF THE ISSUANCE AND SALE OF SECURITIES

Total Proceeds	\$17,500,000
Repayment of Bank Debt @ 8/31/91	6,700,001
Estimated Issuance Costs	140,000
1991 Sinking Fund Requirements	120,000
Redeem Preference Stock 10% Series	500,000
	<u>7,460,001</u>
Balance to Treasury for Construction	\$10,039,999

CONSTRUCTION

	1991 ACTUAL JAN--AUG	1991 ESTIMATED SEPT--DEC	ADD'L CWIP BUDGET PROJ 1991/1992	TOTAL
1990 Construction Paid in 1991	\$ 414,552	\$ 14,929		\$ 429,481
Routine Construc- tion 1991	1,935,855	1,152,119		3,087,974
Major Projects:				
Georgetown Bypass	80,791	13,787		94,578
C.P.S. Update	73,107	3,893		77,000
Clorine Scrubber Design, RRS	31,192	201,808		233,000
D/Const Chem Feed Bldg, KRS#1	30,145	4,435		34,580
Easements, 20" Bk Rd Man-O-War	1,183	60,216		61,399
2.0 MG Pumped Stor Land Pur	0	59,710		59,710
Kentucky River Aquatic Study	88,676	84,126		172,802

Evaluate Source of Supplies	72,231	16,114		88,345
24" Jack's Creek-Wich Rd, E&C	28,056	39,910	2,848,521	2,916,487
Residuals Mgmt & Process Opt	86,415	10,585	1,166,700	1,263,700
Richmond Road Station Improvement	147,176	0		147,176
Design Richmond Road Sta Exp	391,175	118,867	598,808	1,108,850
Construct Raw Water System	2,802,009	3,112,521		5,914,530
3rd Lift Pump Station	91,689	0		91,689
Replace Washwater Controller	80,052	388		80,440
Install Electric Operators	279,686	94		279,780
Sadieville	77,690	10,087		87,777
Georgetown Bypass	11,125	0		11,125
Radio Teldmetry	25,415	49,585		75,000
Design/Renovate Office Complex	48,395	431,605		480,000
Purchase of Rucker Property	20,866	1,134		22,000
20" Pipe at Landfill	11,339	530,618		541,957
Ran Water Transfer Station	0	0	1,375,000	1,375,000
Addition Error	<u>(2,903)</u>			<u>(2,903)</u>
Net Construct Expenditure	<u>\$6,825,917</u>	<u>\$5,916,531</u>	<u>\$5,989,029</u>	<u>\$18,731,477</u>